

ROBOGROUP TEK LTD
Form 6-K
August 23, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

F O R M 6-K

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR
15d-16 UNDER THE SECURITIES EXCHANGE ACT OF 1934**

For the month of August 2004

ROBOGROUP T.E.K. LTD.

(Name of Registrant)

Rechov Hamelacha 13, Afeq Industrial Estate, Rosh HaAyin 48091 Israel
(Address of Principal Executive Office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): _____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- _____

Edgar Filing: ROBOGROUP TEK LTD - Form 6-K

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ROBOGROUP T.E.K. LTD.
(Registrant)

By: /s/ Haim Schleifer

Haim Schleifer
General Manager

Date: August 23, 2004

(Unaudited)

Directors Report
At June 30, 2004

RoboGroup T.E.K. Limited

*Directors Report
for the six-month Period ended June 30, 2004*

We are pleased to present the Directors Report on the financial condition of our company for the six-month period ended June 30, 2004.

RoboGroup T.E.K. Limited and its Business Environment

1. The Company and its Business Environment

The Company operates through three business sectors.

The first sector focuses on the company's traditional business activities in the education field. This sector includes the Company's research and development departments, the operations department, and the marketing and sales department that handles the sale of the Company's products and products manufactured by third parties to the training and education markets in Israel and around the world.

The second sector includes the operations of YET, the Company's 50% owned subsidiary. YET is engaged in the development, manufacturing, and marketing of motion control products for the industrial market.

The third sector that is in limited operation includes the activities of both MemCall Ltd. and MemCall LLC (together MemCall). MemCall is developing new technology designed to shorten the length of time required to locate and retrieve information in computer and communications networks.

The Education Sector

In July 2004, the Company signed an agreement with Yaskawa Electric Corporation (YEC), a Japanese corporation that holds a 50% stake in YET, to supply an e-learning system, as well as custom e-learning content. The sales price for the e-learning system is US\$ 750 thousand. Revenues from this sale will be recorded within the next quarters.

During the second quarter of 2004 the Educational Sector began implementing a cost-cutting plan to improve its profitability. The plan includes, among other things, a reduction in the number of personnel and consolidation of similar activities. By the implementation of this plan we expect to reduce our expenses during the next 12 months by approximately US\$ 1 million. We expect that this plan will improve both our financial results in the second half of 2004 and our cash flow.

- 1 -

RoboGroup T.E.K. Limited

YET

During the second quarter of 2004 YET received approximately US\$ 588 thousands for development services from YEC.

Edgar Filing: ROBOGROUP TEK LTD - Form 6-K

YET has continued its investment in the development of sales and marketing channels in Europe. YET's fully owned subsidiary, YET US Inc., continued its operations to distribute YET's products in the US market, while activities with the European partners has led to sales of YET's products in Europe.

In the second quarter of 2004 YET recorded total sales of approximately US\$ 566 thousands. The majority of the sales were of YET's products, both within Israel and globally. The remaining sales were of YEC's products in the Israeli market.

In July 2004, the board of directors of YET decided on a dividend distribution of US\$ 800 thousands to its two shareholders. Robogroup has received approximately US\$ 400 thousands in the dividend distribution.

MemCall

In December 2003, RoboGroup's Board of Directors decided to reduce its continued investment in MemCall, after realizing that negotiations with potential strategic partners (manufacturers and marketers in the global silicon market) were not resulting in binding contracts.

In accordance with that decision, during the first and second quarters of 2004 MemCall released most of its employees and is continuing its activity on a limited basis, while examining alternative means to implement solutions (required by potential customers) without investing in the development of a full custom chip.

RoboGroup's investment in MemCall in the second quarter of 2004 amounted to US\$50 thousands.

Equity Distribution Agreement

The Company has signed a Standby Equity Distribution Agreement that allows it, at its discretion, to issue shares up to a maximum value of US\$5.5 million to the investment fund Cornell Capital Partners.

Under the terms of the Standby Equity Distribution Agreement, RoboGroup may, at its discretion, issue shares to Cornell at any time over the next two years. The maximum aggregate amount of the equity placements pursuant to the agreement is US\$5.5 million. Subject to this limitation, RoboGroup may draw down up to US\$250,000 per week. The facility may be used in whole or in part entirely at RoboGroup's discretion. The issuance of the shares is subject to having a registration statement covering the resale of the ordinary shares to be issued being declared effective. The shares will be issued to Cornell at the market price as of the date of the issuance and in accordance with the terms of the agreement.

- 2 -

RoboGroup T.E.K. Limited

Backlog of Orders

The Company's backlog of orders at June 30, 2004 was approximately NIS 7.9 million compared to approximately NIS 8.2 million at December 31, 2003.

2. The Financial Position of the Company

- a. At June 30, 2004 the Company had assets of approximately NIS 76.5 million, compared to assets of approximately NIS 83.8 million at December 31, 2003. The principal reason for the decrease was a decline of approximately NIS 7.2 million in cash and cash equivalents.
- b. The Company's equity was approximately NIS 24.8 million as of June 30, 2004, compared to approximately NIS 30.4 million as of December 31, 2003. The decrease in equity is a result of a net loss of approximately NIS 5.8 million in the six months ended June 30, 2004.

3. Operating Results

Revenues

The Company's revenues for second quarter of 2004 amounted to approximately NIS 13.3 million, as compared to approximately NIS 14.2 million in the corresponding period last year.

The Company's revenues for the six months ended June 30, 2004 amounted to approximately NIS 27.7 million, as compared to approximately NIS 26.9 million in the corresponding period last year.

The NIS 0.9 million decrease in revenues on the second quarter of 2004, as compared to the corresponding period in 2003, was primarily attributable to a decrease of revenues by the educational sector which was offset in part by an increase in YET's revenues.

Gross Profit

The Company's gross profit for the second quarter of 2004 was approximately NIS 5.9 million (44% of the total revenues), compared to approximately NIS 6.9 million (49% of the total revenues) in the corresponding period last year.

The Company's gross profit for the six months ended June 30, 2004 was approximately NIS 12 million (44% of the total revenues), compared to approximately NIS 11.9 million (44% of the total revenues) in the corresponding period last year.

The decrease in the Company's gross profit and gross margin was mainly attributable to the Company's highly profitable product mix in the corresponding period last year.

- 3 -

RoboGroup T.E.K. Limited

Research and Development Expenses

Research and development expenses, net, for the second quarter of 2004 were approximately NIS 2 million as compared to approximately NIS 3 million in the corresponding period last year.

Research and development expenses, net, for the six months ended June 30, 2004 were approximately NIS 4.3 million as compared to approximately NIS 6.7 million in the corresponding period last year.

The decrease in research and development expenses, net, was due primarily to significant cutbacks in research and development expenses by MemCall and lower research and development expenses by the educational sector and YET, compared to the corresponding period last year.

Marketing and Selling Expenses

Marketing and selling expenses for the second quarter of 2004 were approximately NIS 3.3 million as compared to approximately NIS 3.4 million in the corresponding period last year.

Marketing and selling expenses for the six months ended June 30, 2004 were approximately NIS 7 million as compared to approximately NIS 6.6 million in the corresponding period last year.

The increase in marketing and selling expense for the six months ended June 30, 2004 was mainly due to an increase in marketing and selling expenses in YET.

General and Administrative Expenses

Edgar Filing: ROBOGROUP TEK LTD - Form 6-K

General and administrative expenses for the second quarter of 2004 were approximately NIS 2.5 million as compared to approximately NIS 3.5 million in the corresponding period last year.

General and administrative expenses for the six months ended June 30, 2004 were approximately NIS 5 million as compared to approximately NIS 7.3 million in the corresponding period last year.

The decrease in general and administrative expenses was due primarily to lower general and administrative expenses in the educational sector and a significant cutback in MemCall.

Operating Loss

The Company's operating loss for the second quarter of 2004 was approximately NIS 1.9 million as compared to approximately NIS 3 million in the corresponding period last year.

The Company's operating loss for the six months ended June 30, 2004 was approximately NIS 4.3 million as compared to approximately NIS 8.7 million in the corresponding period last year.

- 4 -

RoboGroup T.E.K. Limited

Financial Expenses, net

The financial expenses, net for the second quarter of 2004 were approximately NIS 0.3 million as compared to approximately NIS 1.4 million in the corresponding period last year.

The financial expenses, net for the six months ended June 30, 2004 were approximately NIS 1.1 million as compared to approximately NIS 2 million in the corresponding period last year.

The decrease in financial expenses, net was mainly due to a decrease in exchange rate differences.

Other Income

The Company's other income in the second quarter of 2004 amounted to approximately NIS 0.2 million compared to other income of approximately NIS 0.4 million in the corresponding period last year.

Net Loss

The Company's net loss for the second quarter of 2004 was approximately NIS 2.9 million as compared to approximately NIS 3.9 million in the corresponding period last year.

The Company's net loss for the six months ended June 30, 2004 was approximately NIS 5.8 million as compared to approximately NIS 9.6 million in the corresponding period last year.

4. Liquidity

- a. The balance of cash and cash equivalents as at June 30, 2004 was approximately NIS 7.7 million compared to approximately NIS 14.9 million at December 31, 2003.
- b. Cash Flows from Operating Activities:

Edgar Filing: ROBOGROUP TEK LTD - Form 6-K

In the first six months of 2004 the Company had a negative cash flow from operating activities of approximately NIS 7.9 million compared to a negative cash flow of approximately NIS 10.2 million in the corresponding period last year.

c. Cash Flows from Investing Activities:

In the first six months of 2004 the Company purchased fixed assets of approximately NIS 0.6 million compared to NIS 0.7 million in the corresponding period last year.

d. Cash Flows from Financing Activities:

In the first six months of 2004 the Company had a surplus from financing activities of approximately NIS 0.8 million as compared to a surplus of approximately NIS 3.8 million in the corresponding period last year.

5. Sources of Financing

- a. The Company had working capital of approximately NIS 5.2 million at June 30, 2004. The current ratio as at June 30, 2004 was 1.16 compared with 1.23 as at December 31, 2003. The quick ratio as at June 30, 2004 was 0.77 compared with 0.85 at December 31, 2003.

- 5 -

RoboGroup T.E.K. Limited

- b. The Company's shareholders' equity at June 30, 2004 was approximately NIS 24.8 million, representing approximately 32% of its total balance sheet assets compared with NIS 30.4 million and 36% respectively at December 31, 2003.
- c. The average amount of credit granted to customers during the first six months of 2004 was approximately NIS 14 million and the average amount of credit received from suppliers and providers of services was approximately NIS 5.7 million compared with NIS 16.4 million and NIS 7 million respectively as at December 31, 2003.
- d. The average amount of short term credit from banking institutions during the first six months of 2004 was approximately NIS 16 million compared to approximately NIS 14.3 million in the corresponding period last year.
- e. The average amount of long term credit from banking institutions during the first six months of 2004 was approximately NIS 18 million compared to approximately NIS 19.2 million in the corresponding period last year.

6. Exposure to Management of Market Risks

a. Currency Risks

The majority of the Company's products are exported, and as a result the bulk of the Company's income is received in foreign currency. Consequently, the Company is subject to risks from changes in the exchange rates of foreign currencies, mainly US\$ and Japanese YEN. The Company undertakes the following precautions measures in order to limit its exposure:

1. Daily monitoring of changes in the exchange rates of the various currencies as well as of factors that are bound to influence such currencies.
2. An evaluation of the Company's quarterly position with respect to the general exposure to changes in the various currencies.
3. Establishing foreign currency linked loans for the financing of the Company's investments in its building.

Edgar Filing: ROBOGROUP TEK LTD - Form 6-K

Notwithstanding these precautions, the Company cannot insure full protection against foreign currency risks and the Company is exposed to exchange rate fluctuations between various foreign currencies and the Israeli shekel.

b. Interest and Index Risks

Given that the majority of the Company's income is in foreign currency, the Company does not enter into specific hedging contracts against exposure due to changes of interest and index rates. However, the Company is accustomed to investing a portion of its monetary balances in accordance with its periodic evaluations with respect to expectations in the area of interest and index rates.

- 6 -

RoboGroup T.E.K. Limited

c. Marketable Securities

In 2003, the Company liquidated its investment portfolio. In the event the Company determines to invest in securities in the future, it will be exposed to fluctuations in the prices of the securities in its investment portfolio.

d. The Responsible Officer

The Company's chief financial officer is responsible for managing the Company's market risks.

e. Supervision and Application of Policy

The Company's management and the finance committee of the Board of Directors constantly monitor the extent of the Company's exposure to market risks, and determine if it is necessary to modify the Company's risk management policy and, if necessary, adopt protective measures.

f. Futures Contracts

As of June 30, 2004 the Company had no outstanding futures contracts. The Company did not enter into any futures contracts in the first six months of 2004.

- 7 -

RoboGroup T.E.K. Limited

Linked Balances

	June 30, 2004							December 31, 2003						
	Linked to foreign currency (*)	Linked to Japanese Yen	Linked to Swiss Frank	Linked to CPI	Unlinked	Autonomous Unit & Non-monetary items	Total	Linked to foreign currency (*)	Linked to Japanese Yen	Linked to Swiss Frank	Linked to the CPI	Unlinked	Autonomous Unit & Non-monetary items	Total
Consolidated	NIS (K) Unedited, Reported amounts**							NIS (K) Audited, adjusted to December 2003						
Assets:														
Cash and cash equivalents	7,191	-	-	-	273	192	7,656	13,266	-	-	-	1,304	308	14,878
Trade receivables	5,755	-	-	-	2,011	6,969	14,735	6,076	-	-	-	2,806	4,335	13,217
Other receivables and debit balances	101	-	-	-	2,466	392	2,959	52	-	-	-	1,934	306	2,292
Inventories	-	-	-	-	-	12,823	12,823	-	-	-	-	-	13,603	13,603

Edgar Filing: ROBOGROUP TEK LTD - Form 6-K

	June 30, 2004						December 31, 2003							
Investments in other companies	-	-	-	-	-	15	15	-	-	-	-	-	15	15
Fixed assets	-	-	-	-	-	37,321	37,321	-	-	-	-	-	38,233	38,233
Other Assets	-	-	-	-	-	326	326	-	-	-	-	-	428	428
Deferred Taxes	-	-	-	-	-	415	415	-	-	-	-	682	415	1,097
Fund in respect of employee rights upon retirement, net	-	-	-	276	-	-	276	-	-	-	81	-	-	81
	13,047	-	-	276	4,750	58,453	76,526	19,394	-	-	81	6,726	57,643	83,844
Liabilities:														
Short-term bank credits	724	644	2,510	1,090	7,323	3,745	16,036	1,226	1,112	2,486	1,425	7,447	2,245	15,941
Trade payables	737	-	-	-	2,729	2,600	6,066	412	-	-	-	3,554	1,428	5,394
Other payables and credit balances	4,039	-	-	-	6,106	733	10,878	5,755	-	-	-	8,045	545	14,345
Long-term loans	6,335	5,639	-	6,520	-	-	18,494	5,824	5,280	-	6,412	-	-	17,516
Liability for termination of employee/employer relationship, net	-	-	-	249	-	-	249	-	-	-	200	-	-	200
	11,835	6,283	2,510	7,859	16,158	7,078	51,723	13,217	6,392	2,486	8,037	19,046	4,218	53,396
Excess of assets (liabilities)	1,212	(6,283)	(2,510)	(7,583)	(11,408)	51,375	24,803	6,177	(6,392)	(2,486)	(7,956)	(12,320)	53,425	30,448

(*) The foreign currency balances are mainly in US Dollars.

(**) Discontinuance of the adjustment for the effects of inflation according to the Israeli CPI, as of December 2003.

- 8 -

RoboGroup T.E.K. Limited

7. Option Plans for Employees, Directors and Interested Parties

During the second quarter of 2004, RoboGroup issued 1,600 ordinary shares, as a result of the exercise of 1,600 stock options according to RoboGroup's stock options from 1998.

8. Law Suit against Fourier Systems (1989) Ltd. (Fourier)

In December 2003, RoboGroup and its subsidiary, RTL, filed a suit in the District Court of Tel-Aviv against Fourier. The suit seeks injunctions, mandamus and damages of NIS 2.6 million. In the suit we have alleged the theft of our commercial secrets, other commercial torts and the violation of a distribution agreement between RTL and Fourier. In February 2004, Fourier filed a counter claim seeking damages of approximately NIS 3 million against the Company and RTL.

On March 11, 2004, the Court determined that certain information, including commercial secrets of RTL and the Company, were found in Fourier's offices and computers, and that Fourier had breached the Israeli Commercial Torts Law, 1999. The Court also determined that Fourier was acting in bad faith by trying to annul its exclusive distribution agreement in Israel with RTL. The court ordered Fourier to

8. Law Suit against Fourier Systems (1989) Ltd. (Fourier)

Edgar Filing: ROBOGROUP TEK LTD - Form 6-K

avoid using the information that came from RTL and the Company. The court also ordered Fourier to fulfill its obligation under its agreement to supply products to RTL according to the original price list agreed to by the two companies.

Lately the parties agreed to transfer the dispute to a legal bridging procedure.

9. External Factors

A substantial slowdown was observed in the last couple of years in the networking market, which is the principal potential market for MemCall's products. This has brought about a reduction in the potential market and a slower penetration of new technologies and products into the market. The slowdown in the target markets for MemCall's potential products has had an adverse effect on MemCall's prospects.

In the educational technology market in the U.S. and in the State of Israel, institutional investments in educational infrastructure has declined as a result of the lack of economic resources made available to educational institutions. The decrease in financial resources available for educational products has brought about a reduction in potential sales.

The economic situation and security concerns in the State of Israel has had a detrimental impact on the Company's business. Due to the security situation partners and customers from abroad have hesitated to visit Israel and to continue developing their businesses in Israel. The recession in Israel and the cutbacks in the education budget have depressed the potential market for the Company's products in Israel.

- 9 -

RoboGroup T.E.K. Limited

Rafael Aravot
Chairman of the Board and CEO

Haim Schleifer
Director and Joint General Manager

Date of approval of the financial statements: August 22, 2004

Safe Harbor Statement under the U.S. Private Securities Litigation Reform Act of 1995: This release contains forward-looking statements, which express the beliefs and expectations of management. Such statements are based on current plans, estimates and expectations and involve a number of known and unknown risks and uncertainties that could cause the Company's future results, performance or achievements to differ significantly from the results, performance or achievements expressed or implied by such forward-looking statements. Important factors that could cause or contribute to such differences include the impact of pharmaceutical industry regulation, the difficulty of predicting FDA and other regulatory authority approvals, the regulatory environment and changes in the health policies and structure of various countries, acceptance and demand for new pharmaceutical products and new therapies, the impact of competitive products and pricing, the availability and pricing of ingredients used in the manufacture of pharmaceutical products, uncertainties regarding market acceptance of innovative products, newly launched, currently being set or in development, the impact of constructing of clients, reliance on a strategy of acquiring companies and on strategic alliances, exposure to product liability claims, dependence on patent and other protections for our innovative products, fluctuations in currency, exchange and interest rates, operating results, and other factors that are discussed in the Company's Annual Report on Form 20-F and the Company's other filings with the U.S. Securities and Exchange Commission. Forward-looking statements speak only as of the date on which they are made, and the Company undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

- 10 -

Edgar Filing: ROBOGROUP TEK LTD - Form 6-K

RoboGroup T.E.K. Ltd.

**Interim Consolidated Financial Statements
At June 30, 2004**

Financial statements:

<u>Balance Sheets</u>	2-3
<u>Statement of Operations</u>	4
<u>Statement of Changes in Shareholders' Equity</u>	5-6
<u>Statement of Cash Flows</u>	7-8
<u>Notes to the Financial Statements</u>	9-16

RoboGroup T.E.K. Ltd.
Balance Sheets
NIS in Thousands

	June 30		December, 31	
	2004	2004	2003	2003
	US\$ (K)	NIS (K)	NIS (K)	NIS (K)
	Unaudited	Unaudited	Unaudited	Audited
			Adjusted amount for the	
			Israeli CPI as of	
	Convenience translation to US dollars	Reported amounts (*)	December 2003	

ASSETS
Current assets

Cash and cash equivalents	1,703	7,656	17,688	14,878
Short-term investments	-	-	51	-
Trade receivables	&			